

A	B	C	D	E	F	G	H	I	J	K	L	M
1	Turnaround Initiatives Analysis											
2	Management Company Analysis											
3												
4												
5	Conclusion: Management Company cost reductions could result in improvement equal to (\$000s)											
6	Combined correction of assumptions reduces Singletron Report improvement opportunity by (\$000s)											
7	Cost Center (1)	Description (1)	Amount	Clinical Integration	Strategy and Planning	Finance	Information Systems	Ex Office	Mkt & Comm	Purchasing	Regional Facilities	Other Overhead / Not Otherwise Identified
8	50010015	Chancellor's office	\$ 142,477					\$ 142,477				
9	50500015	Laboratory Admin	166,411	166,411								
10	50500115	Lab Information System	181,909	181,909								
11	50500315	Lab Quality Assurance	41,513	41,513								
12	50601415	Cashiers	87,590									
13	50618015	Telecommunications	176,142				176,142					87,590
14	50618115	Telecommunications	149,020				149,020					
15	50618215	Telecommunications	133,020				133,020					
16	50618415	Telecommunications	698,810				698,810					
17	50618515	Telecommunications	455,375				455,375					
18	50620015	Mgt Services Admin	315,547									315,547
19	50625015		1,023									1,023
20	50625915	Regional Transportation	924,199	924,199								
21	50626115	Purchasing	749,412							749,412		
22	50627015	Regional Copy Center	276,822							276,822		
23	50700615		(7,728)									(7,728)
24	50710015	Communications-EF	152,154						152,154			
25	50710115	Communications-Regional	914,678						914,678			
26	50710215	Communications-CC	247,917						247,917			
27	50710315	Communications-SCHC	242,422						242,422			
28	50710415	Communications-BC	49,927						49,927			
29	50710515	Communications-EP	38,968						38,968			
30	50715015	Regional Marketing	348,905						348,905			
31	50715515	SR Member Program	86,301						86,301			
32	50715615	Women Member Program	16,858						16,858			
33	50720015	Regional Facilities	884,241								884,241	
34	50724015	Clinical Engineering	1,454,548	1,454,548								
35	50730515		102,514									102,514
36	50739015	Fringe Benefit Admin (2)	2,377,421			2,026,427		96,801				102,514
37	50800015	Executive Director	563,891					563,891				102,399
38	50800115		100,148									100,148
39	50801015	Mgt Care System Development	947,283	947,283								
40	50801115	Mgt Care/Prof Relations	518	518								
41	50801615	Network Development	207	207								
42	50802015	Client Outreach Services	303,495	303,495								
43	50810015	Development	1,582,540		1,582,540							
44	50840015	Planning	268,119		268,119							
45	50862015		(6,246)									(6,246)
46	58490015	Regional City Med P	140,202		140,202							
47	68601415		3,657									3,657
48	95000215	Mgt Finance Control	914,345			914,345						
49			\$ 16,226,555	\$ 4,020,083	\$ 1,990,861	\$ 2,940,772	\$ 1,612,367	\$ 803,169	\$ 2,098,130	\$ 1,026,234	\$ 1,036,035	\$ 698,904
50		Cost Reduction Estimate %		0%	0%	0%	0%	100%	0%	0%	100%	100%
51		EBITDA Opportunity	\$ 2,638,108	\$	\$	\$	\$	\$ 803,169	\$	\$	\$ 1,036,035	\$ 698,904
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Sources / Notes:

(1) C&L FYE1996 audit work papers (CL010979 - CL011595)

(2) Pro rated allocation of benefit costs (cost center 50739015) to salary adjustments



A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T
1	Turnaround Initiatives Analysis																		
2	Salary and Benefit EBITDA Opportunity																		
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Exhibit 10

SALARY AND BENEFIT EBITDA IMPROVEMENT OPPORTUNITY

Conclusion: Salary and benefit savings from achievable productivity improvement equal to (\$600k)
Combined correction of calculation errors and assumptions reduces Singleton Report Improvement Opportunity by (\$600k) \$ - (\$6,585)
Combined correction of calculation errors and assumptions reduces Singleton Report Improvement Opportunity by (\$600k) \$ - (\$6,585)

Finding #1: A number of calculation errors were made in the Singleton report in the calculation of DVOG statistics to measure 1996 productivity to benchmark and the inconsistency of DVOG source data with benchmark definitions
Error #1: Inconsistent treatment of psych in calculation of FTEs per adjusted discharge.
Basis - Psych FTEs included in FTE per adjusted discharge numerator calculation, psych discharges excluded from denominator calculation
Remedy - Remove psych FTEs from FTE calculation

Error #2: Inconsistent treatment of nursery in calculation of FTEs per adjusted discharge.
Basis - Nursery FTEs included in numerator calculation, nursery discharges (out of LOS x nursery days) excluded from denominator calculation
Remedy - Remove nursery FTEs from FTE calculation. Estimate nursery FTEs as based on percent of nursery days to total days

Error #3: CMI used in all DVOG CMI. Singleton benchmark definition calls for Medicare CMI.
Basis - Singleton Report Exhibit IV shows ALOS and CMI adj ALOS for all payors, dividing the ALOS and ALOS CMI adjusted figures yields total hospital CMI statistic, which lies to Exhibit III CMI statistic
DVOG hospitals with mistake - MCP, Hahnemann, Bucks and Elkins Park (SL Chris has very few Medicare cases)
Remedy - use 1996 Medicare CMI as reported by CMS for DVOG hospitals

Error #4: Singleton Report approach is to use most 'conservative' staffing estimate across evaluated peer groups, but the method is inconsistently applied to Elkins Park and Bucks
Basis - FTE standard used is 'Managed Care Penetration-Moderate' at 3.86 FTEs per 100 adjusted discharges, CMI adjusted. Most conservative standard is '100-249 Bed Size' at 3.87 FTEs.
DVOG hospitals with mistake - Elkins Park and Bucks hospitals
Remedy - use 3.86 FTEs standard, '100-249 Bed Size'

Error #5: Incorrect selection of bed size benchmark
Basis - Hahnemann hospital bed size peer group standard is drawn incorrectly from '250 to 399 Beds' peer group. Hahnemann bed size peer group is '400 and Over'.
DVOG hospitals with mistake - Hahnemann
Remedy - use comparable standard consistent with Singleton Report, but for '400 and Over' bed size, or 4.18 FTEs.

Combined calculation errors overstate improvement opportunity by (\$600k) \$ -27,937
CORRECTED 1996 DVOG STATISTICS

Company Number	FTEs from Cost Report (1)	Residents Included in Cost Report FTEs	Cost Report FTEs Excluding Residents	Adjusted Discharges (2)	Adjusted Census (AADC) (3)	CMI (Medicare only) (3)	FTEs per AADC Including Residents	FTEs per AADC Excluding Residents	FTEs per AADC Excluding Residents - CMI Adjusted	FTEs / 100 Adjusted Discharges - CMI Adjusted
210	1883	220	1,443	14,533	80,829	1.83	7.53	6.53	4.01	8.93
211	615	16	599	12,416	67,459	1.17	3.33	3.24	2.77	4.82
212	481	3	478	9,228	53,811	1.24	3.28	3.24	2.82	4.13
220	1455	118	1,337	12,954	64,022	1.05	8.30	7.82	7.26	10.32
230	2076	296	2,080	23,429	144,692	2.18	7.51	6.76	3.10	11.44

Company Number	Facility	Staffed Bed Size (4)	Unlicensed Bed Size (5)	100 to 249 Beds (6)	400+ Beds (6)	Teaching (6) Hospital (7)	Specialty Children's (7)	State - PA	System Affiliated	S&P A Bond Rating	Mgt Care Penetration	Benchmark Value Utilized	FTE Variance (original)	FTE Variance (corrected)	Hour Variance (original)	Hour Variance (corrected)	Average Hourly Wage and Benefit	EBITDA Impact (corrected)
210	Allegheny East Falls Hospital	387	465	387	418	4.53	4.53	3.84	3.85	3.8	3.8	4.53	2.49	1.97	575,377	363,820	\$ 30.08	\$ 10,034,684
211	Allegheny Elkins Park Hospital	158	280	387	387	4.53	4.53	3.84	3.52	3.8	3.8	3.87	0.84	0.28	(171,232)	(218,099)	\$ 21.54	(4,697,128)
212	Allegheny Bucks County Hospital	132	183	387	387	4.53	4.53	3.84	3.52	3.8	3.8	3.87	1.80	0.31	(42,503)	(50,773)	\$ 22.20	(1,127,001)
220	St. Christopher's Hospital	183	183	387	387	4.53	4.53	3.84	3.52	3.8	3.8	3.87	3.71	3.71	77,856	77,856	\$ 24.25	1,687,991
230	Allegheny Center City Hospital	541	618	387	387	4.53	4.53	3.84	3.85	3.8	3.8	4.53	1.95	0.71	1,189,327	426,710	\$ 27.45	11,713,738
Add: Mgt Support																		
Total																		\$ 34,942,222

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T
1	Turnaround Initiatives Analysis																		
2	Salary and Benefit EBTD Opportunity																		
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Exhibit 10

Finding #2: A number of errors of assumptions were made in the Singleton report in the selection of the benchmark year and benchmark peer group as the basis for determining the achievable result

Error #6: Incorrect selection of SSP 'A' Bond Rating peer group.

Basis - DVOG hospitals were credit enhanced to AAA, shadow rated BBB on a before credit enhanced basis.

DVOG hospitals with mistake - All

Remedy - use S&P Bond Rating peer group consistent with Singleton Report, but use 'BBB' peer group category rather than 'A' category.

Error #7: Inappropriate and undocumented peer group standard for St. Christopher's hospital performance

Basis - Peer group standard is not disclosed in Singleton Report, and is too aggressive compared to objective benchmark standards.

DVOG hospitals with mistake - St. Christopher's

Remedy - Apply appropriate Children's hospital peer group benchmark standard.

Error #8: Inappropriate benchmark year.

Basis - Achievable benchmark should be measured in base year of analysis period, 1996.

DVOG hospitals with mistake - MCP, Hahnemann, Bucks and Elkins Park (St. Chris benchmark is un-sourced in expert report)

Remedy - use 1996 benchmark data to determine achievable performance standard, use CHFS 1996 benchmark data for St. Christopher

Error #9: Inappropriate benchmark performance standard.

Basis - 25%tile performance standard is assumed in Singleton Report which is an unreasonable standard for these hospitals base on comparable occupancy rates, market position and prevailing staffing standards in the Philadelphia market.

DVOG hospitals with mistake - All

Remedy - Apply appropriate peer group median benchmark values.

Achievable Benchmark Peer Groups and Performance Standard:

Solient: FTE per 100 adjusted

discharges, CMI adj

Teaching - Major

Non profit, urban, 100-249

Non profit, urban, 400+

Almanac of Hospital Financial &

Operating Indicators; FTEs per

Occupied Bed, CMI adj

Children's Hospital

1996- 75%tile 1996-50%tile 1996- 25%tile

6.65 5.73 4.93

5.34 4.86 4.00

5.93 4.95 4.32

1998- 50%tile

6.83

Combined errors of benchmark assumptions overstate improvement opportunity by \$100s \$ 14,656

Company Number

210

211

212

220

230

FTEs from Cost Report (1)

1,863

615

481

1,455

2,878

Residents Included in Cost Report

220

16

3

118

296

Cost Report FTEs Excluding Residents

1,443

599

478

1,337

2,680

Adjusted Discharges (2)

14,523

12,418

8,228

12,954

23,429

Adjusted Days (2)

80,629

87,459

53,831

94,022

144,692

Adjusted Average Daily Census (AADC)

220.9

164.8

147.5

175.4

396.4

CMI (Medicare only) (3)

7.33

3.33

3.26

8.30

7.51

FTEs per AADC Excluding Residents

6.53

3.24

3.24

7.62

6.78

FTEs per AADC Excluding Residents

4.01

2.77

2.82

7.26

3.10

FTEs / 100 Adjusted Discharges

9.93

4.82

5.16

10.32

11.44

FTEs / 100 Adjusted Discharges

6.10

4.13

4.18

9.83

5.24

[illegible]

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T
1	Turnaround Initiatives Analysis																		
2	Salary and Benefit EBITDA Opportunity																		
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Exhibit 10

Company Number	Facility	Total (\$000s)
210 Allegheny East Falls Hospital		98 CR (14) 84 CR (14) IP factor 1,164
211 Allegheny Eblins Park Hospital		\$ 497,326 \$ 427,233
212 Allegheny Bucks County Hospital		162,293 104,377 1,555
220 St. Christopher's Hospital		128,088 86,818 1,478
230 Allegheny Center City Hospital		298,472 242,017 1,237
		\$ 889,554 \$ 787,042 1,130

Source: MCP, Hahnemann, SC - MCR, Bucks and EP - AHERF 1997 Fin Report

Severance Cost from Productivity Improvement (FTE Downsize)

Entity	Severance Cost (\$000s) (12)	FTEs	Per FTE Severance (\$000s)	BDC est. FTE Impact	BDC Severance (\$000s)	Cambio est. Severance (\$000s)	Cambio Severance (\$000s)
AHERF	\$ 877						
AIHC	14						
AUH	4,621						
AUHS	314			41	\$ 408	839	8,269
Centennial	2,593						
New Jersey	1,116						
SL Christopher	2,185						
	\$ 11,830	1200	\$ 9,858	29	\$ 287	37	369
				71	\$ 695	878	\$ 8,638

Sources/Notes:

- (1) Excludes Paych service FTEs, source: Medicare Cost Report (MCR).
- (2) Total discharges / days, less psych, source: MCR / AHERF 1997 Fin Report.
- (3) Medicare case mix index (CMI), source: Center for Medicare Services (CMS).
- (4) BDC Advisors, LLC Productivity turnaround analysis.
- (5) Singletron Report.
- (6) The Sourcebook, 2003, Solviant, 1998 25th%ile.
- (7) Expert report does not cite benchmark source.
- (8) Hour variance (corrected) defined as (FTE Variance (original) x Hour Variance (original)).
- (9) A negative Hour Variance result implies no staffing or salary reduction savings, staffing already below benchmark.
- (10) Advance of Hospital Financial and Operating Indicators, 1998-1999, Center for Healthcare Industry Performance (CHIPS), 1998 50th%ile.
- (11) Source: Plunkitt Accounting Experts' restated DVOG financial statements (Appendix 1).
- (12) Memorandum from Daniel J. Connel to Al Adamczak, December 1, 1997.
- (13) The Sourcebook, 2000, Solviant, 1998 50th%ile.
- (14) Medicare Cost Reports.